

FOSTER CARE GROUP HOME PROGRAM COMPLIANCE AUDIT PROTOCOLS

(MAY 2003)

The purpose of the Foster Care (FC) Group Home (GH) provisional rate and program audits is to determine whether the GH has provided, and has the documentation to support the hours and weightings projected on the rate application for the audited period.

I. Preparation and Planning

Pre-field planning and preparation is crucial to an efficient and professional audit. The more thorough and comprehensive the planning, the more smoothly the audit will proceed.

A. Audit scheduling will be performed by management staff.

1. Provisional Rate Audits

Provisional rate audits are two-month audits of a new provider, an existing provider requesting a rate for a new program, or an existing provider requesting a Rate Classification Level (RCL) increase. The first six months of operation after the effective date of the provisional rate are not audited. Therefore, provisional rate audits will normally be scheduled in the 9th, 10th, or 11th month after the effective date of the provisional rate or date of first placement. The audit period will be the two months immediately proceeding the month in which the audit will be conducted.

2. Program Audits

For program audits of on-going programs, the scheduling will be as follows:

- a. For providers whose GH programs have been referred or randomly selected for audit, the auditors will review one quarter (three months) in the last completed fiscal year (FY), plus the current month. The quarter to be audited will include the same three months in the prior FY as the quarter in which the audit will be conducted. For example, if an audit is to be conducted in May 2003 (April-June quarter), the

months to be audited will be April through June 2002. The auditor will also review the most current month.

- b. For audits that were referred based on failure to maintain, the audit period will be the entire 12 months of the last completed FY.

- B. Upon receipt of the audit assignment, determine which months are to be audited, and whether the current month will be required. The Auditor-In-Charge should request the Program Rates file from the Rates Consultant. Make copies of the GH Program Rate Application (SR 1), the Program Classification Report (SR 2), GH Program Cost Report (SR 3), GH Program Payroll and Fringe Benefit Report (SR 4), GH Program Days of Care Schedule (SR 5), duty statements, rate approval letters, licensing information such as copies of facility licenses, program statements, the GH Shelter Cost Declaration Approval (see page 11, Section B.5., Self-Dealing Transactions), and any other pertinent documentation. Discuss the GH program with the Rates Consultant.
- C. Contact the provider by phone to schedule the audit. This phone call needs to occur in enough time so that the confirmation letter can be mailed within the 30-day limit for both program audits and provisional rate audits. During the phone call:
 - 1. Explain the purpose, scope, and methodology.
 - 2. Identify specific records to be reviewed and time frames.
 - 3. Confirm date(s), time(s), and place of audit.
 - 4. Ask whether the audit will be conducted at the GH facility or at a separate administrative office.
 - 5. Explain that it is the provider's responsibility to have all the necessary documents available at the agreed upon location.
 - 6. Explain that you will send a written confirmation letter.
 - 7. Instruct the provider to submit Child Care and Supervision (CCS) Component Program Worksheets (SR 2As); Social Work (SW) Component Program Worksheets (SR 2Bs); Mental Health (MH) Component Program Worksheets (SR 2Cs); names, social security numbers and hire dates of all staff employed during the audit period; and names and social security numbers of children in placement during the audited period.

8. Give the provider a specific due date for these records, at least one week prior to the start of the audit. Log this contact and record the details on a contact form (FC 2 CL).
- D. Follow up by sending the standard audit confirmation letter, for either the provisional rate or program audit, to the provider at least 30 days prior to the audit. The letter should contain the following information:
1. The date of the initial phone call.
 2. Name of the Auditor-in-Charge.
 3. Purpose of the audit.
 4. Projected RCL.
 5. FY (months) to be audited.
 6. Current month (if any).
 7. List of documentation to be reviewed during the audit.
 8. List of documentation to be submitted prior to the audit and due date for those records to be submitted.
 9. Date and time of the entrance conference.

The audit confirmation letter must be sent by certified mail to the president of the Board of Directors, with a copy to the GH Executive Director. Copies should also be sent to the Audits Policy and Support Unit; Foster Care Rates Bureau (FCRB), Rates Manager and Rates Consultant; Community Care Licensing (CCL) Licensing Program Analyst (LPA); and primary placement agency. One copy should be retained for the official audit file.

- E. Establish an official audit file. The audit file will be maintained in an accordion folder, and individual records will be maintained in separate manila files. At a minimum, establish the following files:
1. Preliminary Audit Planning-includes Planning Memo, Audit Checklist, FC 1 ACKLIST, Correspondence/Audit Contact Log, FC 2 CL, Scheduling Letter, and provider's SR 2A, 2B, 2C, client list, FC5-CLIST and employee list, FC 6-LGHS. The Contact Log should be on the left side of the Correspondence File. All contacts should be logged by date, name, and subject, and initialed by the auditor.

2. Preliminary Audit/CCL Review-includes all information received from CCL including LIS records.
3. Preliminary FCRB-includes the program statement, applicable rate application(s), and copies of any pertinent Rates correspondence.
4. Entrance Conference-includes Entrance Questionnaire, SR 2-WP, Organization chart, and any other records received at the entrance conference.
5. Child Care and Supervision (CCS)-includes SR 2A WPs for all CCS staff, Paid Hours Verification Worksheets, SR 2A PHV, copies of time sheets and payroll records, and any other documentation related to CCS point determination.
6. Training-includes copies of provider's training logs and training records, as needed, and analysis of training hours.
7. Social Work (SW)-includes SR 2B WPs for all SW staff and contracted social workers, Paid Hours Verification worksheets, SR 2B PHV, copies of time sheets and payroll records, billings, accounts payable and contracts, and any other documentation related to SW point determination.
8. Mental Health (MH) Treatment Services-includes SR 2C WPs, time sheets, payroll, billings, and accounts payable, contracts, MH Verification forms, SR 2C MHV, and any other documentation related to MH point determination.
9. Fiscal Review Information-Includes records and analysis related to salaries, leases, and other financial information.
10. Current Month-includes all the above documentation related to audit of the current month.
11. Actual Occupancy Information-includes actual occupancy worksheets, SR 2J and other records related to occupancy.
12. Preliminary Audit Results-includes copies of completed audit spreadsheets and point sheets, FC 4-APTSHEET, for each finding.
13. Exit Conference-includes Summary of Exit Conference, FC 9-EXIT and any other records related to the Exit Conference.

14. Final Audit Report (FAR) Draft and (QC)-Includes the final draft FAR and spreadsheets from the QC process.
 15. Final Audit Report-includes copy of the signed FAR, spreadsheets, and other documents issued to the provider.
 16. Post Audit Results-includes records related to Corrective Action, informal hearing, formal hearing, and dated re-calculation(s) resulting from these hearings.
- F. Contact the CCL LPA to discuss the provider and any pertinent information regarding the program to be audited. Make sure that you ask about any licensing actions pending, incidents, investigations, or issues involving lack of supervision. Invite the LPA to the entrance conference. Ask the CCL LPA to FAX the following documents for the period to be audited:
1. Personnel Summary (LIC 500) which contains a list of employees including administrative staff, and their schedules (this may already be available in the rate file)
 2. Designation of Administrative Responsibility (LIC 308) that will contain the names of the administrator and assistant administrator (if any)
 3. Copies of any records that relate to staffing problems: e.g., complaints, Temporary Suspension Orders, Complaint Investigation Forms (LIC 9099), or complaint form LIC 809
- G. Contact the primary placement agencies. This could be Social Services, Probation, and/or County MH. This information may be obtained from the SR 1, page 2. Encourage placement agency staff to attend the entrance and/or exit conference.
- H. Obtain all fingerprint submission information available from the LIS. At a minimum, obtain Screen 9 (Facility Profile Report), Screen 11 (Facility Personnel Summary), and Screen 7 (Individual Personal Histories). These records will provide information as to staffing, duties, and fingerprint submission.
- I. Upon receipt of the provider's records, input the data onto the audit worksheets. Brief the audit team and determine assignments for individual team members.
- J. Prior to the field audit, contact the provider again to ensure that the necessary records are available. Answer any questions the provider may have concerning the audit.

II. Field Audit

A. Entrance Conference

1. Introduce audit staff. Establish a professional working relationship with the provider.
2. Discuss the purpose of the Entrance Conference and audit, and the scope, methodology, time frames.
3. Discuss the specific months to be audited and procedures for the audit period.
4. Complete the Entrance Questionnaire (SR 2-WP). At a minimum, the following information should be obtained from the provider during the Entrance and documented on the SR 2-WP:
 - a. The number and types of programs operated by the provider.
 - b. The primary activities or services provided by this program.
 - c. The major sources of funding.
 - d. A full description of the organization and the management structure.
 - e. A list of any staff performing multiple functions, what functions they perform, and for what percentage of time.
 - f. Information regarding the payroll system: who prepares the payroll, how often staff are paid, the basis on which staff are paid, the standard workweek, whether there is in-kind payment involved, or whether there is a shift differential.
 - g. The methodology for documenting staff time, particularly CCS and SW.
 - h. The personnel procedures used to ensure that fingerprints are submitted timely, and weightings are verified.

- i. A description of the formal training program, list of trainers, and the methodology for documenting training hours; request copies of training logs.
 - j. Confirmation of the child care workers, social workers and mental health professionals reported by the provider prior to the field audit. Confirm that the provider has submitted the most current and correct copy of the SR 2As, 2Bs, and 2Cs prior to reviewing the actual records. Discuss the manner of payment for each and the types of services provided.
 - k. Initial and date the Entrance Questionnaire.
5. Ensure that the provider understands the basis for allowable hours (paid-awake), and that all documentation will be reviewed to support paid-awake hours projected.

B. Documentation Review

1. CCS

a. Personnel Files

Review the CC&S personnel files to obtain information regarding submission of fingerprints and weightings. **(NOTE: Prior to 12/9/99, providers had 4 days to submit fingerprints)**. Information given by the employee on the application is not proof that the information is accurate. There should be written documentation verifying that the provider verified education and experience and submitted fingerprints to CCL prior to employment. In addition, check for submission of the Child Abuse Index form.

The information for each individual CCS employee must be fully documented on the CCS Program Audit Working Paper (SR 2A - WP). Make copies of any records necessary to support findings and attach the copies to the back of the SR 2A - WP. Complete a separate SR 2A - WP for each CCS employee; each form must be completely filled-out. Initial and date each WP.

b. Time Records/Payroll

The basis of allowable hours for all three components is paid-awake. Review the provider's documentation to support the hours worked. In most cases, this will be time sheets or time cards. However, review all documentation of time worked as the provider may have acceptable alternative documentation. Schedules alone are not proof of actual time worked, but may be used in conjunction with other documentation. Make copies of any records that will be used to support findings.

Review the provider's payroll records to ensure that there is proof of payment for the hours reported. It is often helpful to make a copy of the payroll records for the file. If the provider cannot prove that the hours have been paid, the hours cannot be allowed. Complete the Paid Hours Verification Worksheets based on the documentation reviewed and using the form instructions. Initial and date each worksheet.

Important factors to consider when determining allowable hours include:

- 1.) Sufficiency of documentation
- 2.) 54-hour rule
- 3.) Minimum wage requirements – (currently \$6.75 per hour)-see Industrial Welfare Commission Wage order 5-2002.
- 4.) Paid leave such as sick leave or vacation.
- 5.) Compliance with IWC Wage Order 5-2002 regarding overtime.

c. Training Weightings

The provider is not required to claim the .10 training weighting. However, if the weighting is projected, the training must be fully documented. Training records should be reviewed to ascertain whether they meet regulatory requirements. (For provisional rate audits, the .10 weighting is automatically allowable for all eligible CCS hours if the provider has reported the .10 weighting.) To receive the .10 weighting, the provider must maintain training logs with at least the following specific information:

- 1.) Date and location of training.
- 2.) Title and short summary of the training subject.
- 3.) Names and signatures of staff attending training.
- 4.) Hours of training.
- 5.) Name(s) of trainer(s) and their qualifications.
- 6.) Proof that the provider paid the cost of the training, including wages.

d. How to Calculate Training Hours

Step 1: Divide the total verified unweighted hours by 2,080. The result is the number of full-time equivalent (FTE) employees.

Step 2: Multiply the FTEs by 40 hours. The result is the total hours of training needed to claim the additional weighting.

2. SW Staff

a. Personnel File Review

Fingerprint requirements must be verified for SW staff, as with CCS staff. Social workers must meet regulatory requirements in order for hours to be allowed. The weightings will vary depending on the education/experience level.

If the social worker does not qualify for one of the weightings listed in regulation, a weighting of zero will be applied, resulting in a disallowance of the hours. Fingerprint information and verification of the weightings must be documented on the SW Program Audit Working Paper (SR 2B-WP). As with CC&S, make copies of any documentation needed to support findings. Initial and date the WPs.

b. Time Records/Payroll

For social workers employed by the provider, there should be time records and payroll, as with child care staff. There are specific social work activities that are

allowable for the purpose of points. The activities that cannot be counted for FC rates purposes include supervision of other staff, administrative activities, and training. Social workers employed by the GH must meet the minimum wage requirements. In cases where the time sheets do not specify the actual activities performed, interview the social worker concerning the activities performed, document the interview, and sign and date the record. In addition, if necessary for confirmation, review a sampling of children's files to confirm the activities reported on the time records.

If the social worker is a contractor rather than an employee, review the contract(s) to determine the type(s) of activities performed and the basis for payment. Make copies, as necessary. There should be invoices or billings and accounts payable records to provide proof of paid-awake hours. These records should specify the dates of the activities performed, the specific activities and hours, and the amount of compensation. Complete the Paid Hours Verification Worksheet (SR 2A PHV). Initial and date the forms.

Under certain circumstances, the social worker hours may be double weighted. Double weighting is given to hours performed by independent contractors performing direct services to clients, with a maximum of 20 hours per week. The provider must document eligibility for this weighting.

3. MH Staff

As with the other components, the basis for allowable MH hours is paid-awake. Certain activities are allowed to be counted for MH points. These activities must be performed in direct contact with the FC child; they are therapy, counseling, testing, and evaluation. Review of the children's files may supply some information as to hours of treatment received. It is ultimately the provider's responsibility to obtain supporting documentation for any hours or weightings reported. However, with the advent of managed care, it is often very difficult to document MH treatment hours. In some cases, it is possible for audit staff to obtain this information directly from the agency making the payment (Department of Health Services or Department of Mental Health). If unable to obtain any of the above listed documentation, providers may now use the new Verification of MH Treatment Services form, SR 2C-MHV, developed in

conjunction with the GH provider associations. All verified paid-awake MH hours and weightings must be documented on the SR 2C-WPs and the SR 2Cs. Initial and date the forms.

In cases of Mental Health Day Treatment, the formula for calculating points is the number of children enrolled divided by the program's licensed capacity, multiplied by 30 points. It is not necessary to review actual attendance.

4. Allocations

If staff perform more than one function, and the provider does not wish to have the staff time study to identify the hours worked in each function, the provider must use an allocation methodology to identify the hours to the different functions. The provider must have a reasonable basis for the allocation methodology and documentation of the methodology available for review. Review the duty statements and the organizational chart for additional information concerning staff responsibilities. For programs of six beds or less, if the provider does not have an acceptable allocation methodology, a minimum of 20 hours of the administrator's time per week must be allocated to administration. Regulations do not allow hours for administrators of programs with more than six beds to be allocated to CCS unless there is supporting documentation. If there is no documentation, no CCS hours will be allowed.

5. Self-Dealing Transactions

Review the GH shelter cost declaration, accounts payable records, and board minutes to ensure that provider is in compliance with regulations concerning self-dealing transactions including affiliated leases.

C. Making Audit Determinations

1. Ongoing Program Audits

a. Three-Month Audit Plus Current Month

- 1.) If the provider has documentation to support the projected/paid RCL for the three months and has met the required points for the RCL, the audit shall be considered completed.

- 2.) If the provider has not met the RCL for the three months, the remainder of the FY will be audited, and instructions in b. below would apply.
- 3.) If the provider has not met the RCL for the current month, the provider will be referred to the FCRB for corrective action, as described below.

b. 12-Month Audit Plus Current Month

- 1.) If a provider has documentation to support the paid/projected RCL and has met the required points for the RCL for both the audit period and current month, the audit shall be considered completed.
- 2.) If the provider has not met the RCL for the audit period, the audit shall be considered completed, and an overpayment will be calculated and assessed for the 12-month period only. If the provider has not met the RCL for current month, an "Attachment B, Corrective Action," shall be prepared and included in the Final Audit Report for resolution with the FCRB.

2. Provisional Rate Audits (No Current Month)

If the provider has documentation to support the paid/projected RCL for the two-month audit period, and has met the required points for the RCL, the audit shall be considered completed.

If the provider has not met the RCL for the two-month audit period, the audit shall be considered completed and the RCL will be reduced by the FCRB effective the first of the month following the month in which the final audit report was issued.

D. Completing the Field Audit

When the field review is completed, compute the audited points. The automated SR 2As, Bs, and Cs are linked to the SR 2G or SR 2P and will automatically compute the points based on data input. NOTE: the formula for manually computing points is allowable hours multiplied by allowable weightings, divided by 90 percent of licensed capacity, (or 5.4) divided by months. The auditor must be able to explain this formula to providers. Print out copies of the preliminary worksheets, along with the Paid Hours Verification Worksheets, SR 2A PHV, SR 2B PHV, and the Personnel File Review Worksheets, SR 2A PFR or SR 2B PFR, for the provider.

Ensure that you have all documentation necessary to support any findings and that all workpapers are initialed and dated. Prepare point sheets (FC 4-APTSHEET) for all findings

III. Exit Conference

- A. Present an overview of the audit, findings, and reasons for each finding. Answer the provider's questions. Explain the possible results, i.e., for program audits there may be an overpayment; for provisional rate audits, there will be no overpayment but there may be a rate reduction.
- B. List any additional documentation that the provider is required to send and give a specific due date. In most cases, for provisional rate audits, no additional documentation will be accepted after the field portion of the audit is completed.
- C. For program audits resulting in overpayments, discuss the Post-Audit Proportional Services Calculation with the provider. Be sure the provider understands that findings discussed at the Exit Conference are preliminary. Proportionality does not apply to provisional rate audits because there is no overpayment.
- D. Explain the administrative remedies available. There are both informal and formal hearing rights for program audits but only formal hearings for provisional rate audits. Explain filing procedures and timeframes.
- E. Give the provider copies of the worksheets listed above.
- F. Complete the Record of Exit Conference form, FC 9-EXIT. Both the Auditor-in-Charge and the provider should sign the form to document the Exit Conference discussion.